

**C-08010**

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**Full-size Transcript**

**Prepared by:**

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**GOVERNMENT  
EXHIBIT**

**3**

17-CR-64 (DWF/KMM)

1 into a situation where it couldn't pay anything. Then we --  
2 I think I revisited the settlement, and we settled for  
3 80,000. Sorry, but it is kind of a funny story.

4 BY MR. WISNIEWSKI:

5 Q So Exhibit 48, is this -- was this accurate? Did  
6 this reflect the amounts that were paid out -- that were  
7 ultimately paid out to Apollo Diamond's vendors?

8 A I don't know that. I would imagine it's somewhat  
9 accurate. Might have been less or more. I don't remember.

10 Q How about the amount paid to you, the \$208,000?  
11 Did you receive \$208,000 ultimately from Apollo Diamond?

12 A No, I think I received more, but I actually took  
13 on more responsibilities. So it kind of morphed.

14 Q Explain that to me. What additional  
15 responsibilities?

16 A I basically agreed to be liable for debts we  
17 didn't know what they were going forward. You know, this  
18 all worked pretty well except that it occurred to Bob and  
19 myself at the end of 2011 or so, Well, what about debts we  
20 don't even know exist? You know, what about potential  
21 lawsuits, which we hoped there weren't any. Unfortunately,  
22 there were. Or what about, you know, vendors who --  
23 remember, Bob wasn't running the company on a day-to-day  
24 basis. He was the chairman and CEO, but he wasn't in the  
25 nitty-gritty of sending out bills or paying them.

1           So it occurred to us that we needed to think  
2 about, well, what happened about contingent liabilities?  
3 Who is going to pay anything like that? Because under  
4 Delaware law, the creditors of a company have the ability to  
5 recover money against its shareholders if the shareholders  
6 received money.

7           So we were concerned about the possibility of  
8 creditors going after all the shareholders whose stock had  
9 been purchased back at a penny. So rather than, you know --  
10 which would have been a debacle, of course. I agreed to  
11 sort of step in and deal with that situation.

12           MR. SHANK: You agreed to take on all the  
13 contingent liabilities of the company?

14           THE WITNESS: Up to \$300,000. I am not nutsy  
15 coo-coo.

16           MR. SHANK: Is that documented anywhere?

17           THE WITNESS: I think it is.

18           MR. SHANK: Now, the scenario you just described  
19 that -- it would be limited to the amount they got back from  
20 the company, right? Creditors wouldn't have unlimited  
21 liability?

22           THE WITNESS: Right. Yes. You can't go after  
23 people for more than a penny -- yeah. That would have been,  
24 you know -- it would have opened up a messy situation.  
25 Right.

1 MR. HAYES: So you received additional  
2 compensation for taking on that additional liability?

3 THE WITNESS: When I say -- I was owed millions of  
4 dollars personally because of money I loaned the company.  
5 And forgive me, I don't know if you were here when this --  
6 but money I loaned the company, salaries that I hadn't been  
7 paid, and expenses that I had that hadn't been reimbursed.  
8 So what I basically said is -- I mean, this is never going  
9 to all get paid, right? There's no way. There is not  
10 enough money. It's not going to happen.

11 So what I am going to do is I will take on -- my  
12 father-in-law at this point is a 77-year-old guy, right. I  
13 mean, he is not going to be, you know, dealing with all  
14 this -- he is a brilliant guy, okay, but this isn't what --  
15 you know, he doesn't deal with the day-to-day things like  
16 this. Not that I do particularly either, but at least I am  
17 younger.

18 So I said, Look, I will try to shepherd the thing  
19 going forward through whatever issues; dissolving the  
20 company, dealing with anybody that comes out of the woodwork  
21 as a creditor, as a shareholder who's got a problem, and I  
22 will basically absorb the liabilities up to this amount.  
23 And can we reach a resolution? And we did.

24 MR. HAYES: And you got paid additional money for  
25 helping wind up the company?